

Alphabet

November 22, 2021

Sent via email (director@fasb.org)

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2021-005, Proposed Accounting Standards Update, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*

Dear Ms. Salo:

Alphabet Inc. (“Alphabet,” the “Company,” “we,” “us,” or “our”) appreciates the opportunity to provide feedback on the Proposed Accounting Standards Update, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* (the “Proposal”, “Proposed ASU”), exposed for comment by the Financial Accounting Standards Board (the “Board”).

Alphabet is a collection of businesses — the largest of which is Google — which we report as two segments: Google Services and Google Cloud. We report all non-Google businesses collectively as Other Bets. Our Other Bets include earlier stage technologies that are further afield from our core Google business.

Proposed ASU

We commend the Board’s willingness to address the diversity in practice with respect to the fair value measurement of equity securities that are subject to contractual restrictions. Overall, we believe that the Board’s attempt to clarify the related guidance in accordance with Topic 820, *Fair Value Measurement*, would improve current GAAP by reducing diversity in practice.

Scope

We agree with the Board’s decision to include within the scope of the Proposal all contractual restrictions that prohibit the sale of an equity security. Entities utilize such restrictions in

capital-raising arrangements to achieve a variety of objectives. We believe that comprehensively addressing all contractual restrictions would reduce diversity in practice and improve comparability of financial information across reporting entities that invest in equity securities subject to those restrictions.

Measurement

We agree with the Board's determination that the unit of account when measuring an equity security is the individual equity security using the existing principles of fair value measurement in accordance with Topic 820.

Accordingly, we concur with the Board's clarification that only the characteristics specific to that security should be taken into account (as market participants would) in pricing at the measurement date. Conditions that only affect the behavior of the security holder and not the underlying security itself, such as contractual sale restrictions, are considered entity-specific characteristics. Such entity-specific characteristics should not be considered part of the unit of account of the equity security and, therefore, should not be considered in measuring the fair value of the equity security.

Disclosure

We believe that entities holding equity securities subject to contractual sale restrictions could provide qualitative disclosures about the nature and duration of those restrictions and the related amounts recognized on the balance sheet for those holdings, subject to materiality considerations.

Practicability Considerations

We also believe that for entities like Alphabet that do not generally invest in equity securities as part of their core business, the nature of a contractual restriction on the sale of an equity security is typically standard and short term in nature (e.g., lock-up or market standoff agreements). We expect that for these types of restrictions, the potential adjustment (i.e. discount for lack of marketability) to the fair value of the equity security would not be significant due to the relatively short duration of such restriction, and any such discount would be transitory until the restriction period expires. Furthermore, any such adjustment would require additional judgment in accordance with ASC 820, and hence may vary across entities. Therefore, we believe that in those situations application of a discount for lack of marketability to fair value of the equity security may not provide additional decision useful information.

We request that the Board consider the above considerations in addressing the accounting for a contractual sale restriction on a standalone basis.

Thank you for the opportunity to respond. We would be pleased to discuss our comments at your convenience.

Kind regards,

/s/ GABOR TURSCHL

Gabor Turschl

Director, Corporate Accounting and Reporting